Abstract
Systematic data exploitation through digital means lies at the very heart of the current platform economy. The regulatory boundaries posed by legislation to what firms and individuals can do with this intangible asset fall under the broad concept of data governance. Against this background, the article argues that the three major regulatory policy fields critical in shaping a country’s data governance framework are data control, national security and competition law. These legislative strands have a profound impact on the platform economy and overlap with each other in a significant manner. In exploring the complex trade-offs, this paper reaches three broad conclusions. First, multiple and diverse regulatory domains intersect the digital space, with overlapping and sometimes unpredictable consequences. Second, given the transnational nature of digital activity, international coordination and dialogue are of the utmost importance.

JEL CLASSIFICATION: F53; K21; K24; L38.

SUMMARY
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1 Introduction: the rise of data governance

Data governance can be broadly defined as the set of rules and enforcement mechanisms that discipline collection, access, storage and processing of third-party data. In the context of the increasing degree of digitalization, this is a topic of intuitive importance, and vast complexity: the ability to collect, merge or exploit datasets, can make the fortune of firms or countries, yield enormous opportunities, or generate unmanageable risks.

The reason why data governance deserves close attention by legal scholars and policy makers is the widely acknowledged function that massive data exploitation is going to have in the rise of both Internet of Things (IoT) and Artificial Intelligence (AI) applications. Indeed, as data-enabled services hold the promise to strengthen competition
and boost innovation in both existing and newly arising markets, there is room for customers and businesses to benefit considerably from a data-driven economy.

Well-designed data governance frameworks are essential to ensure individuals trust, allowing firms to thrive by extracting value from information and delivering tailored services with significant added value for consumer welfare. Accordingly, the free movement of data has been emerging as a new mantra of international debates on data governance, with the goal of laying the foundation for the development of new innovations based on big data exploitation, such as AI and the IoT. AI environments are inherently dependent on data as an essential raw material, particularly with regards to machine learning and deep learning. Since AI functioning is based on the identification of patterns in available datasets and the subsequent making of predictions and correlations able to solve technical problems, the presence of large amounts of information to be processed is crucial to its functioning. Hence, emerging technologies need continuous access to streams of data from several sources, generated by machines and connected devices.

The dependence of IoT and AI applications on the enormous diversity of data sources and types requires serious effort to ensure interoperability, format standardization as well as an efficient system of personal information management. Indeed, IoT hinges on standards and interoperable communication protocols which allow a dynamic global network infrastructure consisting of physical and virtual ‘things’ (such as traditional and autonomous vehicles, mobile phones, home devices, and so on). These devices are integrated by means of intelligent interfaces and create smart environments where each item is able to interact in order to improve its own usefulness.

Yet, data governance is seldom discussed outside of limited policy circles. This is partly due to its vague cross-sectoral application: no individual regulation disciplines the subject in a comprehensive fashion while several regulations discipline sections of it. Because of the dominance of digital platforms, data governance amounts, for most intents and purposes, to platform governance – an activity that in the global race to digital supremacy escalates quickly into (geo)political tensions.

In order to shed new light on the functioning and inner conflicts of the subject, this article focuses on three major regulatory fields which appear critical in shaping a country’s data governance framework: data control, national security and competition policy. Data control regulation defines the rules for access, use and re-use of personal data. National security regulations determine (the increasingly broad) set of data-types and uses which are off-limits. Competition regulation sanctions the behaviour and business practice of the digital “market makers”. These legislative strands have a profound im-
pact on the digital economy and substantial degrees of overlap with each other: tinker-
ing with elements of one regulation, often leads to unintended effects in the others’ do-
main.

In its very essence, the architecture of data governance can be thought of as a trian-
gle-based pyramid (Fig. 1), where data governance, at the top, rests on three separate 
regulatory levers – which are nonetheless all connected with each other at the base.

![Fig. 1: the data governance pyramid](image)

This paper discusses the role that each of these regulatory levers play, and the com-
plex web of overlaps and trade-offs that exist when they apply to the digital sphere. In 
exploring these interactions, this article aims to support the policy maker and regula-
tors in understanding the key levers under the nebulous hood of data governance.

The article is structured as follows. Paragraphs 2.1, 2.2 and 2.3 are respectively dedi-
cated to the role that data control, national security and antitrust regulations play in the 
definition of national data governance frameworks. Paragraph 3 is dedicated to the 
multiple overlaps and trade-offs among the three legislations. Paragraph 4 concludes.
2 Three levers of data governance

2.1 Lever 1: data control and data access regulations

The multifaceted set of rules on access, sharing and re-use of data between firms, individuals and public entities is a major pillar of data governance. Owing to the economic potential of data-enabled applications, such as Internet of Things (IoT) and Artificial Intelligence (AI), these regulations are often flagged as crucial factors in unlocking economic growth.¹

In its very essence, data control is the overarching element at the base of modern privacy legal frameworks.² Indeed, such a broad concept encompasses different aspects of how personal information can be legitimately gathered and used by third parties. First, we find rules that determine the conditions for primary collection of personal data. Second, there are rules setting the legal perimeter within which data-enabled service providers can access personal information that has already been collected by other providers (business-to-business data sharing, B2B data sharing).³ Third, there are rules providing for the flow of privately held data into the public sphere (business-to-government data sharing, B2G data sharing).⁴ Fourth, we find provisions mandating public bodies to share publicly held data with businesses and individuals (government-to-business, G2B data sharing).⁵

² As rightly pointed out by Alessandro Acquisti, Curtis Taylor and Liad Wagman, ‘The economics of privacy’ (2016) 54 Journal of Economic Literature 2, 442–492, different dimensions and definitions of privacy emerge from the literature, such as privacy as control over usage versus privacy as protection against access of personal information.
⁵ This is the case of the EU the Directive (EU) 2019/1024 of the European Parliament and of the Council of 20 June 2019 on open data and the re-use of public sector information [2019] OJ L 172 on open data and the re-use of public sector information. Indeed, public sector information (PSI) is acknowledged as a valuable resource for the digital economy both in terms of raw material for data-enabled services but also for the delivery of more accurate decision-making in society.
Data access regulations – including privacy – generally find their expression in the right of control over data. In those jurisdictions enjoying a comprehensive data control and data access legal framework, such as the European Union, the right of control empowers individuals to move their own data from one data controller to another, ultimately alleviating platform lock-in problems. Moreover, data control also applies in business-to-business and business-to-government dealings, where the growth enhancing potential of data sharing is tapered both by the legitimate interests of individuals and by the reticence and mistrust of private firms.

Regulatory approaches to data control and data access regulations differ widely across countries. In the European Union (EU), Canada, and Japan access to personal data is allowed within strict limits on which information can be collected, which uses it can be put to, who can access it, and how long it can be retained for. The United States does not have a comprehensive federal legislation, with privacy limitation broadly seen as an undue impediment to trade and innovation. Russia and China, conversely, follow a different approach, centered on the concept of cyber-sovereignty. Here data is considered a national strategic asset, which must therefore be stored locally. Recent developments in China see strong data control and data access regulations alongside unbounded access rights on part of state and government agencies.

The reminder of this paragraph provides an overview of the EU efforts at shaping its data-space. With the introduction of data access regimes sanctioned by the General Data Protection Regulation (GDPR) in 2016, the EU has spelled out – arguably – the most

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7 In economics, data lock-in, also known as customer lock-in, makes an individual dependent on a service provider because she is unable to opt for a rival provider without substantial switching costs. See European Commission, ‘Stronger protection, new opportunities - Commission guidance on the direct application of the General Data Protection Regulation as of 25 May 2018’, (Communication) COM (2018) 43 final: “Since it allows the direct transmission of personal data from one company or organisation to another, the right to data portability will also support the free flow of personal data in the EU, avoid the ‘lock-in’ of personal data, and encourage competition between companies.” Cf. Oscar Borgogno and Giuseppe Colangelo, ‘Data, Innovation and Competition in Finance: The Case of the Access to Account Rule’ (2020) 31 European Business Law Review 4, 573.
8 Indeed, the dichotomy personal-non-personal data is likely to prove extremely challenging to apply in real world scenarios when there is a need to deal with complex sets of data generated by different sources, ultimately capable of being referred to specific individuals thanks to big data analytics and cross-referencing.
9 To date, the most relevant state data privacy state legislation within the US is the California Consumer Privacy Act 2018 (CCPA). Signed into law on June 28, 2018, it went into effect on January 1, 2020. The CCPA is cross-sector legislation that provides for broad individual consumer rights and imposes significant duties on entities or individuals that gather personal information about or from a California resident.
cohesive, principled approach to data governance so far. This approach has seen a reason-
able degree of uptake in other countries. However, whether the EU’s approach will
prove appropriate, or even enforceable remains an open question.

The EU GDPR sets out a comprehensive legal framework on data control and data ac-
cess regulations with rules hinged on overarching principles of lawfulness, fairness,
purpose limitation, data minimization and ultimately of transparency and accountabil-
ity. The right to data portability, enshrined in article 20 of the GDPR, has been rec-
gnised as a breakthrough in the realm of personal data protection law. According to
the Working Party 29, the right to data portability is framed as a building block of a wider
framework of “workable mechanisms for the data subject to access, modify, delete,
transfer, or otherwise further process (or let third parties further process) their own
data”. According to the Working Party 29, the right to data portability is framed as a build-
ing block of a wider framework of “workable mechanisms for the data subject to access,
modify, delete, transfer, or otherwise further process (or let third parties further process)
their own data”.

In addition to GDPR-sanctioned data portability, the European Commission has put
forward a large array of sector-specific regulatory initiatives on data access, also tar-
geting non-personal data. Notably, the Second Payment Service Directive (PSD2) sets
out a sector-specific access to account data rule, the Regulation on free-flow of non-
personal data addresses data sharing practices in the commercial arena (business-to-

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10 See for example the rules on data protection by design and by default rule under art. 25 GDPR; the re-
porting duties as the breach notification obligation under art. 33 GDPR; and the appointment of a Data
Protection Officer under art. 37 GDPR, is a first precondition for the fulfilment of businesses’ accounta-
bility. In this context, specific consideration is to be given to the data protection impact assessment
and prior consultation under art. 35 and 36 GDPR, requiring data controllers to identify the risks to the fun-
damental rights and interests of natural persons directly stemming from processing technologies and to
“be able to demonstrate that processing is performed in accordance with” data protection law. Moreover,
as highlighted by art. 24(1) GDPR, controllers shall implement technical and organisational measures,
which have to be adequate to the nature, the scope, the context and the risks of the enacted data pro-
cessing.

11 From a substantive point of view, data portability encompasses three different and complemen-
tary rights: (1) the right to receive data provided by data subject; (2) the right to move those data to another
controller; and (3) the right to have the personal data transferred directly from one controller to another.

12 The Article 29 Working Party (Art. 29 WP) is the independent European working party that dealt with
issues relating to the protection of privacy and personal data until the entry into application of the GDPR.


14 Indeed, businesses also collect, process and share data that are inherently of non-personal nature, as
energy or environmental data.

ment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and
business)\textsuperscript{16}, and the recent Directive on open data aims at promoting the re-use of government information.\textsuperscript{17} While these initiatives differ in terms of scope, they all aim to promote smooth and trusted forms of data sharing.\textsuperscript{18}

Additional proposals aim at shaping the EU data governance landscape. In November 2020, the Commission presented a proposal for a Data Governance Act aimed at enabling the sharing of sensitive data held by public bodies and private actors.\textsuperscript{19} By the end of 2021 the Commission is expected to present the proposal for a Data Act with the goal of fostering business-to-government data sharing for the public interest, supporting business-to-business data access, and assessing the intellectual property rights framework with a view to further enhance data access and use.

The European data access framework is increasingly taken as an international benchmark, with particular emphasis on retail markets (such as banking services and energy).\textsuperscript{20} In the US, the July 2021 Executive Order on Executive Order on Promoting Competition in the American Economy marks a renewed push towards data access regulation. The Order encourages the Director of the Consumer Financial Protection Bureau to introduce new rules facilitating “the portability of consumer financial transaction data so consumers can more easily switch financial institutions and use new, innovative financial products”.\textsuperscript{21} In Australia, the Government proposed the “Data Availability and Transparency Bill 2020” in order to establish a scheme for the sharing of ‘public sector data’ by ‘data custodians’ to ‘accredited users’.\textsuperscript{22} In the same vein, the Australian Government set up the Consumer Data Right that gives individuals greater control over

\textsuperscript{18} It is worth pointing out that two main distinctions emerge from the access rules emerging worldwide. The first hinges on the binding character of each sharing regime. Whereas the GDPR, the PSD2 and the Open Data and Public Sector Information Directive entrust specific data holders with a duty to share data whenever so requested, the Regulation on a framework for the free-flow of non-personal data merely provides for a general freedom to move data within the Internal Market. The second involves the scope of the different mechanisms designed by the European legislator. Notably, whereas the XS2A rule is a sector-specific rule inherently aimed at delivering data sharing within the retail financial sector, the other frameworks establish general-purpose data sharing regimes that apply, with different degrees, across industries to the whole economy.
\textsuperscript{20} Interestingly, data access regulations can be regarded as a prominent example of the regulatory power gained by the European Union worldwide. As these reforms are followed by foreign legislators and policy makers, they complement the market-led “Brussels effect”, namely the process of unilateral regulatory globalisation caused by the European Union de facto (but not necessarily de jure) externalising its laws outside its borders through market mechanisms. Cf. Anu Bradford, \textit{The Brussels effect: How the European Union Rules the World} (OUP 2020).
\textsuperscript{22} Australian Government, \textit{Data Availability and Transparency Bill 2020}.
their own data, including the ability to securely share data with a trusted third party. Also the Government of Canada, at the request of the Canadian Competition Bureau, undertook a review process of open banking in 2018 and by the end of 2021 the Advisory Committee is expected to deliver final considerations on consumer privacy, security, and data access.

Overall, the introduction of the right to data portability under the GDPR offers an opportunity to gauge the impact of data sharing rules. On one hand, several studies questioned the effectiveness of data portability in fostering market contestability. Others warned against the entrenchment of dominant incumbents data sharing might engender. On the other hand, the benefits of an industry led approach – such as the Data Transfer Project launched by Microsoft, Google, Twitter and Facebook in 2018 to facilitate reciprocal movement of data – appear equally uncertain and tilted in favor of big players. Leaving market players free to determine data rules and standards can lead to breaches and abuse, as demonstrated by the Cambridge Analytica scandal.

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23 The Consumer Data Right was enacted by the Treasury Laws Amendment (Consumer Data Right) Act 2019 (Cth), which inserted a new Part IVD into the Competition and Consumer Act 2010.


26 See Facebook, Google, Microsoft, and Twitter, Data Transfer Project Overview and Fundamentals (White Paper, 2018), 4. The four firms announced the launch of a joint open-source initiative called the Data Transfer Project with the objective of easing user data transfer among their platforms. According to their declarations, such a new data portability mechanism will remove the infrastructure burden on providers and users related to portability of data from one company to another: “[T]he future of portability will need to be more inclusive, flexible, and open. We believe users should be able to seamlessly and securely transfer their data directly from one provider to another.” Even though the project unfolded quite slowly over the years, it is still actively pursued by its proponents. For instance, on 30 July 2019, Apple announced that it will be joining the project, allowing data portability in iCloud. Moreover, on 2 December 2019, Facebook announced the ability for users to transfer photos and videos to Google Photos, originally available only in a select few countries.

Finally, one cannot underestimate the issue of enforceability. Since its launch, the application of GDPR has been mired by circumvention and lack of enforcement, a precedent that does not bide well to the incoming set of additional EU measures in the data-space. While a host of private lawsuits by civil society groups could prod regulators into action, the interconnected nature of the data economy implies extraterritorial enforcement – a measure with geopolitical consequences.

As showed by the European experience, data governance frameworks are set to be influenced by privacy legislation in a significant fashion. Regardless from the level of importance attached to the protection of personal information from different jurisdictions (which varies according to cultural and geo-economic factors), it is undisputable that the extent to which individuals are empowered over the exploitation of their own data is major building block of data governance.

2.2 Lever 2: national security regulations

Data governance is increasingly recognised as a topic of national security relevance. Preserving sensitive government and military information as well as the physical and logical integrity of the communication infrastructure has long been a core mission of a country’s security apparatus. In recent years, however, concerns have been raised with the national security implications of hostile access – legal or otherwise – to sensitive personal information.

In its traditional form, national security issues affect the data governance space through cybersecurity regulation. Novel concerns, conversely, motivate heightened investment screening as well as increased scrutiny over retail personal data collection and handling. This paragraph addresses the impact of these measures on data governance.

First, cybersecurity norms aim at preventing illicit access to information by imposing heightened security requirements on critical infrastructures or entities. While cybersecurity regulation does not discipline data access per se, it recognises the critical nature of information and the presence of hostile actors. These technical and legal requirements shape a country’s data governance landscape by limiting digital operators’

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ability to rely on certain service providers. In the EU, the 2016 Network Information Security (NIS) Directive\textsuperscript{30} identifies digital infrastructure and critical digital service providers (online market places, cloud and online search engines) subject to heightened security requirements. The NIS2 proposal might expand further the perimeter in the digital services space to include the likes of social media platforms data centers.\textsuperscript{31} In the financial sector, the Digital Operational Resilience Act (DORA) proposal\textsuperscript{32} subjects all critical third party services providers to the financial sector to heightened security standards and regulatory supervision. Crucially, as critical third party services providers are required to establish a business presence within the European Union’ territory in order to serve the financial sector, the regulation bans data flows towards nonresident operators.

Second, foreign investment screening in critical sectors is a well-established practice to ensure national security objectives. The scope of investment screening regulation, however, has recently seen a substantial expansion in recognition of the strategic importance of personal information.

In the US, the 2018 Foreign Investment Risk Review Modernization Act (FIRRMA) extended the definition of \textit{screenable} transactions to foreign investments yielding non-controlling stakes on sensitive personal data of United States citizens that may be exploited in a manner that threatens national security. This includes identifiable (or re-identifiable) personal data regarding financial conditions, insurance, private communication, geolocation, health, biometric information, government and security status, and genetic test results. With the exception of genetic test results, transactions in these data-categories are considered relevant when they involve specific populations (such as security or government personnel) or more than one million US citizens.

In the EU, the 2019 FDI screening Regulation, which sets out a procedure for investment screening coordination within the common market, includes transactions involving access to sensitive information, including personal data, within a specific \textit{screenable} activity. Given the broad definition of personal data under the GDPR, the set appears


\textsuperscript{31} European Commission, Proposal for directive on measures for high common level of cybersecurity across the Union Proposal for directive on measures for high common level of cybersecurity across the Union (2021) COM/2020/823 final

particularly broad. In practice and as an example, concerns over the treatment of sensitive personal data appear to have prompted the Italian Government to apply its investment screening powers to a transaction involving the acquisition of a minority stake in the payment company Satispay on part of Chinese behemoth Tencent.

Third, concerns have been raised with the national security implications of hostile-yet-legal access to sensitive personal data. These constitute the logical extension of the concerns over safety and integrity of the communication infrastructure that led the US and several allied countries to ban Huawei (and sometimes ZTE) components from their telecom infrastructure. Whereas concerns with Huawei contemplated the risk of mass espionage through network control, the same risks apply to app-enabled retail data collection.

Although national security issues arising from the activity of hostile retail apps have yet to result in specific regulations, this appears in the works. In the US, for instance, they resulted in the August 2020 Trump administration Executive Orders banning Chinese Apps TikTok and WeChat. The bans never effectively entered into force as they were stayed in first-circuit court, and subsequently withdrawn by the Biden administration for reformulation. Their language is nonetheless instructive, and (as shown in the subsequent paragraph) the concern they spell out appears still present in the current Administration.

According to the Executive orders: “the spread in the United States of mobile applications developed and owned by companies in the People’s Republic of China (China) continues to threaten the national security, foreign policy, and economy of the United States. […] TikTok automatically captures vast swaths of information from its users, including Internet and other network activity information such as location data and browsing and search histories. This data collection threatens to allow the Chinese Communist Party access to Americans’ personal and proprietary information — potentially allowing China to track the locations of Federal employees and contractors, build dossiers of personal information for blackmail, and conduct corporate espionage.” And, “Like TikTok, WeChat automatically captures vast swaths of information from its users.

33 GDPR, art. 4(1): “Any information relating to an identified […] natural person [or a] natural person […] who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person”.
34 Satispay S.p.A. is an Italian company that controls the Luxemburg registered Payment institute Satispay Europe SA. See Francesco Bechis, ‘Cina e fintech, golden power su Tencent. Cosa c’è dietro’ (Formiche.net, 8 April 2021) <https://formiche.net/2021/04/cina-fintech-golden-power-tencent-draghi/>.
36 The White House, Executive Order on Addressing the Threat Posed by TikTok (Executive Order by Donald J. Trump, 6 August 2020).
This data collection threatens to allow the Chinese Communist Party access to Americans’ personal and proprietary information.”

The Biden administration followed a more institutional approach by withdrawing the outright bans and ordered a major assessment of concerns related to hostile apps. Specifically, and in line with Trump Executive Orders, the June 9, 2021 Executive Order on Protecting Americans’ Sensitive Data from Foreign Adversaries, recognises that the increased use of apps developed by foreign adversaries, including China, threatens the national security, foreign policy, and economy of the United States. Thus, the new order mandates a thorough evaluation of the threat and the assessment of policy options, which is expected for the last quarter of 2021.

From a broader perspective, the increasing attention paid by American and Chinese policy makers over the strategic opportunities and vulnerabilities arising from the data economy signals an important factor that scholars need to take into account. That is to say that national security concerns are inextricably rooted within any data governance legal framework. To put it simply, economic and social relationships within the digital economy can only be investigated by considering the limits and frictions triggered by geo-politic dynamics between different jurisdictions.

### 2.3 Lever 3: competition policy

Due to the dominant role that digital platforms play in the digital economy, data governance issues are interrelated with platform governance dynamics. Digital platforms are the “market makers” of the digital economy, shaping its governance through business decisions. In disciplining anti-competitive behaviour of digital operators, allowing or denying mergers of digital businesses – and thus of datasets – and imposing remedial actions such as fines, divestments and commitment decisions, competition law enforcement plays a critical, albeit unrecognised role, in defining a country’s data governance framework.

This paragraph explores recent developments in competition regulations and its impact on data governance frameworks.

The rise of digital markets poses structural questions for competition policy. Digital markets are characterised by network effects, economies of scale and scope, and cross-sectoral spill-overs. Taken together, these generate barriers to entry that make digital markets not easily contestable, prone to tipping, and highly concentrated.

Digital platforms, in their twin role of market makers and market participants, are the crux of the problem. In the digital environment, platforms operate the marketplace while they provide their own products and services in competition with rival sellers. Unlike other market participants, they also act as private regulators (they set the market’s rules) and gatekeepers (they control market participant’s access to their clients or their
clients’ behavioural data). This conflation of roles is likely to entrench their dominant position, shielding them from effective competitive pressures.

Traditional antitrust struggles to keep up. Timely application of antitrust law is crucial to ensure healthy competitive dynamics. However, traditional ex-post antitrust enforcement proved unfit to tackle the challenges generated by rapidly changing digital markets. Competition investigations are lengthy processes, often unable to address structural market problems. By the time an infringement is condemned, and remedies imposed, the firm at stake is likely to have already monopolised the target market. When this happens, the antitrust toolkit is unable to restore the conditions existing before the infringement. The seven-year-long European Google Shopping investigation and subsequent litigation provide a good example of how complex and burdensome the competitive assessment can be when it comes to some practices performed by vertically integrated platforms.37

Moreover, preventive antitrust actions, in the form of merger control, struggles to cope with the challenges posed by the data economy. In theory, merger scrutiny represents a major tool to address structural competitive problems. Nonetheless, it is widely acknowledged that competition authorities have under-enforced antitrust rules in the digital environment.38 Over the last five years, tech giants have been probed for engaging in “killer acquisitions” and erecting barriers by creating “digital conglomerates”. Despite such concerns, very few of the mergers in question have faced scrutiny by competition agencies, or were successfully challenged by private plaintiffs and public agencies in the EU and US.

Under most merger control frameworks, enforcers are often expected to apply traditional business metrics to the digital environment. The main metric for guiding merger control regimes is turnover rather than more relevant ones, like the amount paid by the acquirer. As many digital start-ups provide their services free of charge, they generate low revenues while retaining a substantial economic value in terms of user knowledge, user data or network effects. Good examples were the $1 billion acquisition in 2012 of Instagram by Facebook and the acquisition in 2013 of the Israeli mapping services provider Waze by Google for $1.3 billion. Similarly, the $19 billion acquisition of WhatsApp (a company with a turnover of around ten million dollars) by Facebook was reviewed by the EC only based on a specific request by Facebook in order to benefit from the one-stop-shop review provided by the European Commission.39 None of these transactions would have attracted merger scrutiny at the EU level under current law.

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37 General Court, 10 November 2021, Case T–612/17, Google LLC and Alphabet Inc. v. European Commission.
Across the world, policy makers are considering options to overhaul competition law to make it fit for the new digital era. Options span from lowering legal standards and the evidentiary burdens faced by public agencies, to a wide range of ex-ante prohibition or obligations that sidestep traditional case-by-case economic analysis. Revamped merger control also plays a central role, for example, in proposals for the overhaul of European competition. Such calls to overhaul antitrust rules risk to trigger unintended consequences on the digital economy. Two instances provide a sense of the impact of recent, or perspective regulation.

The first instance is one where reforms that aggressively target large platforms take limited consideration of the diversity in platforms’ business model. The European Commission’s infringement decision against Google in 2018 provides an example. In 2018 the Commission issued a $5.1 billion fine to the firm for abuse of its dominant position with reference to its mobile operating system Android, mandating Google to unbundle Google Play Store, Google Search App and Google Chrome from the operating system. The injunction – currently challenged at the European Court of justice – would force a major change in Google’s business model. Simply put, mobile operating systems follow two different business models. Google’s business method is hinged on an open platform that generate revenues through targeted advertisement. Apple’s model, conversely, is based on a closed environment, that generates revenue through the sale of mobile devices.

The second instance relates to tailored regulatory interventions aimed at constraining platform’s business freedom. There is a growing consensus that competition enforcement should be supplemented by tailored regulation. Notably, the European Commission released in December 2020 a proposal of a new regulation (the Digital Market...
Act - DMA) under which firms considered as gatekeepers would be prevented from engaging in a wide ranging of self-preferencing conducts. On April 7, 2021 the UK the Government established a Digital Market Unit (DMU) within the Competition and Markets Authority (CMA) that will be tasked with overseeing a new regulatory regime for platforms deemed to have "strategic market status". Similarly, Germany in January 2021 amended its Competition Act to better protect competition in times of digitization. The new law empowers the Bundeskartellamt (German competition authority), with a competition instrument meant to address large digital platforms’ behaviours. Finally, in June 2021, the U.S. House of Representatives has unveiled a five-bill antitrust package designed to curb the market power of large online platforms representing “critical trading partners.”

Due to the alleged inability of traditional competition law enforcement to address competitive distortions in digital markets, these regulatory proposals depart from the experience and lessons developed by antitrust legal systems over the years with an inevitable impact on digital platforms’ business model. Limitations on self-preferencing included in the DMA proposal constitute a remarkable example of such new regulatory approach to competition policy. A substantial fraction of the disputes involving digital platforms stem from their degree of vertical integration, with the corresponding incentive to favour their own activities. Yet, vertical integration is not by itself detrimental to competition. To the contrary, vertical integration has been found to increase consumer welfare and foster competition in many instances. Leaving aside the complexities of economic analysis, mandating an overarching neutrality obligation on gatekeepers might simplify the work of antitrust agencies, but it could as well hinder the benefits of competition and innovation.

Both instances demonstrate the large, if indirect, impact that antitrust policy can have on a country’s data governance framework. In the first instance, forcing Google to adopt a more closed ecosystem (similar to Apple’s) would send an economy-wide signal against certain types of open data-intensive business models. In the second instance, restrictive ex-ante regulation might calcify (or permanently disband) existing business models, with a lasting impact on innovation dynamics within the platform economy. Arguably, the conflation of industrial and competition policy generates an additional complexity for policy makers dealing with data governance.

Finally, as regulation is rarely shaped by cost-benefit analysis alone, it is important to keep in check the two factors of broad influence in the re-shaping of competition policy. The first is the agenda of digital platforms. Platforms count amongst the most lavish lobbyists, on both sides of the Atlantic, and wield therefore margins of influence on the legislative process. Lobbying expenditure on part of digital platforms has increased substantially over the years in the US, both in absolute and relative terms (Fig. 1). In the EU Google and Microsoft class as the top two in lobbying expenditure since 2017, while Facebook ranked fourth in 2020. The second is the (geo)political role that platforms play in the global race for digital supremacy, discussed in paragraph 3.3.

Fig. 2: Platform lobbying expenditure in the US

50 Source: author’s elaboration from www.opensecrets.org. OpenSecrets is a nonpartisan, independent and nonprofit, research group that tracks money in U.S. politics and its effect on elections and public policy.
3 Overlaps and trade-offs

This discussion has thus far dealt with the data governance implication of three major, yet separate, strands of regulation. To complete it, we need to discuss the most apparent overlaps and trade-offs among these strands regulations. This endeavor goes beyond the mere attempt to illustrate the current regulatory dynamics underpinning the data economy as it is driven by an explicit policy oriented purpose. By benefitting from a clear understanding of the mutual interconnections between the data governance building blocks, legislators and market supervisors can operate in a more sensible manner when dealing with the challenges brought by the digital economy.

This paragraph proceeds in this sense. Paragraph 3.1 addresses overlaps and trade-offs between competition and data protection, paragraph 3.2 between data access and national security and paragraph 3.3 between national security and competition.

3.1 Competition and Data Protection

The regimes of competition and data protection have developed in silos for the last 20 years. Their respective rules and principles have thus been applied irrespective and in isolation of each other. According to the traditional “law and economics” approach, data protection together with consumer law tackle information asymmetries and behavioural weaknesses of individuals whereas antitrust law focuses on anti-competitive practices (such as cartels and abuse of monopoly power).

This clear separation hardly applies in the context of the digital economy, where information asymmetries are intertwined with competitive dynamics. As the conduct of firms in digital ecosystems has blurred the boundaries between legal fields, antitrust has increasingly crossed the path of data protection. Indeed, several scholars argue that there is room to apply data protection and competition regimes in a more coherent way to better protect consumer welfare.\(^{51}\)

The digital economy differs from its physical counterpart in that the “relevant locus of competition” is often product quality rather than mere price. A healthy competitive environment should therefore see competition take also place in terms of privacy-related quality of services. In this sense, data protection should be regarded as a non-price parameter of quality, allowing consumer choice over their optimal level of data protection.\(^{52}\) It follows that antitrust enforcers should pay attention not only to prices and innovation dynamics, but also to the effective level of privacy granted to consumers.

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\(^{52}\) At the Subcommittee’s oversight hearing in November 2019, Makan Delrahim, the Assistant Attorney General of the Justice Department’s Antitrust Division, testified that because privacy is a dimension of
Sound antitrust enforcement should therefore be able to tackle anti-competitive practices based on data exploitation.\textsuperscript{53}

Competition in the privacy-space might already be visible in the market. The recent Facebook–Apple spat regarding the introduction of privacy friendly default options on Apple devices provides a clear example. In April 2021, Apple announced that the new version of its operating system would have a default option denying access to certain types of user information, used (among others) by Facebook to provide targeted advertising. While Facebook publicly complained of Apple’s purportedly anti-competitive behaviour, observers hailed Apple’s decision as the result of healthy competition in the privacy-space.\textsuperscript{54} To Facebook’s credit, concerns that Apple’s behaviour might serve to its own advantage led the European Commission to make clear that privacy policies must not give preferential treatment to a provider’s apps over those of its competitors. On the same issue, the French antitrust authority has recently rejected the request for interim measures against Apple’s adoption of the App Tracking Transparency (ATT) framework for applications on iOS 14, which creates new consent and notification requirements for app publishers.\textsuperscript{55}

Market authorities have already started to work across regulatory borders. The antitrust investigation of the Bundeskartellamt against Facebook in 2016, constitutes the first attempt to integrate privacy interests into an abuse investigation.\textsuperscript{56} Taking data protection law as a benchmark for evaluating exploitative behaviour under competition law, the Bundeskartellamt reached the view that Facebook’s collection and use of data from third-party sources is an antitrust violation with serious exclusionary effects on competitors. According to the Bundeskartellamt, Facebook would have achieved an unlawful competitive advantage vis-à-vis users and competitors by imposing terms of service in violation of European data protection law. As a result, the social platform was able to entrench its dominant position in the market for social media and consolidate

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\textsuperscript{53} Christopher Kuner, Fred H Cate, Christopher Millard, Dan Jerker B Svantesson and Orla Lynskey, ‘When Two Worlds Collide: The Interface Between Competition Law And Data Protection’ (2014) 4 International Data Privacy Law 247, 247.

\textsuperscript{54} Facebook complained that Apple is using its “dominant market position to self-preference their own data collection while making it nearly impossible for their competitors to use the same data”. Hannah Murphy, ‘Apple and Facebook trade accusations over data privacy’ (2020) Financial Times <https://www.ft.com/content/54c54efb-7c80-4468-bf8f-c646e2bbe07f> accessed 11 June 2022.

\textsuperscript{55} Autorité de la concurrence, Decision 21-D-07 of 17 March 2021 regarding a request for interim measures submitted by the associations Interactive Advertising Bureau France, Mobile Marketing Association France, Union Des Entreprises de Conseil et Achat Media, and Syndicat des Régies Internet in the sector of advertising on mobile apps on iOS (2021).

\textsuperscript{56} Bundeskartellamt, ‘Proceeding against Facebook on suspicion of having abused its market power by infringing data protection rules’ (Press Release, 2 March 2016).
\end{flushright}
its influence on advertising markets. The decision is currently litigated in the Dussendorf court, which has recently decided to refer questions for preliminary ruling to the European Court of Justice.

There are also signs that data protection parameters can be integrated into merger control analysis. In the 2014 Facebook/WhatsApp merger clearance, the European Commission noted that security and privacy were one of the many parameters of competition applicable to the case, along with the user base, price, perceived trendiness, and the reliability of the communications service.57 The merger was nonetheless allowed because Facebook and WhatsApp were not considered as close competitors and consumers would have continued to have a wide choice of alternative communications apps after the transaction.58 Conversely, in the 2016 clearance of the Microsoft/LinkedIn merger, the European Commission required Microsoft to enter in addition a number of commitments to avoid that the market for professional social networks would tip in favour of LinkedIn ultimately marginalizing competitors offering a greater degree of privacy protection than LinkedIn.59 More recently, the European Commission cleared the acquisition of FitBit by Google despite several economists publicly calling for the Commission to block the transaction.60 They worried that the merger would have allowed Google becoming dominant in ‘health tech’ markets, uniquely combining its existing data with the information gathered from Fitbit thereby undermining the ability of rivals to compete.61

From a welfare perspective, the integration of data protection principles into competition enforcement is a welcome development.62 As competitive dynamics within the digital economy show, antitrust problems are intertwined with information and behav-

58 Following the WhatsApp’s updates to its terms of service in August 2016 allowing the possibility of linking WhatsApp users’ phone numbers with Facebook users’ identities, the European Commission imposed as 110 million euro on Facebook for providing misleading information during the merger investigation.
59 Consequently, Microsoft entered into a number of commitments to address the competition concerns in the market for professional social networks that were also linked to the impact on privacy as a non-price parameter of competition.
60 Pierre Régibeau, ‘Why I agree with the Google-Fitbit decision’ (Voxeu, 13 March 2021) <https://voxeu.org/article/why-i-agree-google-fitbit-decision> accessed 13 June 2022, arguing: “If combining data in a manner that leads to more discrimination in the health market is undesirable, then why use merger review to prevent such combinations from Google only? Regulation would be far superior in that it would at least preserve a level playing field.”
62 Allen P. Grunes and Maurice E. Stucke, Big Data and Competition Policy (OUP 2016) 82.
Journalal imbalances between firms and consumers. A separate application of the two disciplines might therefore lead to suboptimal enforcement decisions. Prioritizing economic efficiency over data protection might exacerbate the market failures the two practices are supposed to tackle.

Coordination between competition and data or consumer protection authorities appears therefore necessary within the digital space. An example of this is the recent joint statement of the UK’s Information Commissioner’s Office (ICO) and the CMA setting out their shared views on the relationship between competition and data protection in the digital economy. Moreover, sectoral supervisors should be called to take part at the legislative table. For instance, the definition of the global data governance framework has important consequences for the financial sector, and its regulators. Finance, more than other sectors, is a data-centric business. Financial regulators should therefore be called to take active part in national and international discussions surrounding the right balance between data protection and competition in regulated markets.

Coordination is needed as frameworks regulating third party data collection, access, use and retention have a direct impact on the competitive landscape. Lack of data governance frameworks during the early days of the digital economy – when user metadata was considered an industrial byproduct – enabled and fostered digital disruption. Fast forwarding to present days, the same data governance frameworks, recognizing unbridled exploitation rights to data custodians, cement oligopolistic positions in the digital economy.

While it has been argued for decades that data protection, albeit important, shall not enter the competition policy reasoning, this is no longer the case. Data-enabled services and the economics of “frees” prove that the antitrust analysis need to expand its umbrella from prices to a holistic understanding of product quality. Such a challenging evolution can only be carried out by looking at the data governance framework of each jurisdiction by fully appreciating the mingling of competition and privacy considerations.

### 3.2 National Security and Data Protection

As data protection regulations set forth the conditions and safeguards under which personal information can be processed, they inevitably interact with countries’ national security structures. Data protection regulation allow the creation of large data pools

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64 Orla Lynskey, ‘Non-price Effects of Mergers’ (OECD Note, 1 June 2018), 70.
which are often exploited by national or foreign security services, or by malicious actors. Excessive, unjustified or malicious exploitation of personal data often sparks conflicts between individual rights and national security prerogative, both within and between jurisdictions.

The conflict between the national security and the individual rights is particularly evident between the US and the EU. Such tensions is epitomised in the recent Schrems II decision, whereby the Court of Justice of the EU (CJEU) struck down the European Commission’s EU-US data protection equivalence decision which served as legal basis for most of the transatlantic data transfers.

Since the September 2001 attack on the Twin Towers, the world experienced a marked increase in security screening, particularly with respect to digital communication. In this context, data protection regulation shifted, on both sides of the Atlantic, from economic, to security actors – from DG Internal Markets to security structures and interior ministries in the EU and from the Department of Commerce to Homeland Security and Treasury in the US – resulting in vast increase in cross-border security related arrangements, such as the SWIFT agreements.

As the Snowden revelations shed light on US mass surveillance operations, however, the pendulum started swinging back. According to Edward Snowden, under section 702 of the Foreign Intelligence Surveillance Act (FISA), US security agencies gained warrantless access to private data from Facebook, Google, Apple, Microsoft, and five other major platforms under a secrete programme called PRISM. Private lawsuits, led by privacy activist Max Schrems, contested the US Government unbridled access to Facebook data as in violation of GDPR rights. The judicial process that followed led the CJEU to invalidate two EU-US data protection equivalence decisions known as safe harbour (struck down in 2015) and privacy shield (struck down in 2020).

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67 In July 2010, the European Parliament approved a five-year agreement with the U.S. for the transfer of financial and other information collected by the Society for Worldwide Interbank Financial Telecommunication (SWIFT) to the U.S. the SWIFT information exchange. Such systems have been used for national security purposes more regularly and significantly since 9/11. For instance, in 2006, US authorities including the CIA attempted to gain access to SWIFT for terrorist finance tracing. In 2013, it was reported that the NSA intercepted and retained data transmitted via SWIFT.

68 PRISM is a code name for a program under which the United States National Security Agency (NSA) collects internet communications from various U.S. internet companies.


70 Case C-311/18, Data Protection Commissioner of Ireland v. Maximillian Schrems [2020] CJEU, 16 July 2020. The second case arose as US surveillance law was not significantly changed following the invalidation of the Safe Harbour in Schrems I.
In its ruling, the CJEU held that the US does not provide for an essentially equivalent, and therefore sufficient, level of protection as guaranteed by the European data protection legislation. Notably, the judges pointed out that the legal bases of US surveillance programmes such as PRISM and UPSTREAM\textsuperscript{71} amount to a disproportionate interference with the rights to protection of data and privacy enshrined in article 45(1) of the GDPR. In its very essence, the US legal framework does not limit in a sufficient manner the powers conferred upon US authorities and lack actionable rights for EU subjects against US authorities.

These landmark judgments are at the cross road of data protection and national security. In the shifting balance between conflicting policy objectives, the CJEU asserted the primacy of fundamental principles of human dignity and freedom over (foreign) national security prerogatives. The ruling also came in the context of increasing scrutiny of security-related transfers.\textsuperscript{72} In the US the ruling was harshly criticised as an EU legislative overreach into US security interests. Officials were reportedly mesmerised at the thought that citizens of one country should have the right to review their intelligence files from other countries. The ruling was also deemed unjust as the CJEU has examined the national security practice of the US while it is precluded from doing so in EU member states.\textsuperscript{73}

The two Schrems rulings might have lasting impact on the global data governance framework. While transatlantic data transfers are still permitted, their legal basis has become substantially less certain. The issue appears compounded by the implementation of the US Clarifying Lawful Overseas Use of Data (CLOUD) Act, which amends the US Stored Communications Act to give US courts access to data held by US subjects outside of US territories. While the October 2021 G7 Digital Trade Principles spell a political wish to overcome the differences across the two sides of the Atlantic, achieving actual convergence might not be so straightforward. Finally, the rulings will most likely impact

\begin{itemize}
\item \textsuperscript{71} UPSTREAM collection is a term used by the National Security Agency (NSA) of the United States for intercepting telephone and Internet traffic from the Internet backbone, i.e. major Internet cables and switches, both domestic and foreign.
\item \textsuperscript{72} On 27 July 2017 the CJEU declared that the agreement envisaged between the European Union and Canada on the transfer of Passenger Name Record data could not be concluded in its current form. The provisions would have allowed systematic and continuous transfer of PNR data of all air passengers to a Canadian authority with a view to that data being used and retained, and possibly transferred subsequently to other authorities and to other non-member countries, for the purpose of combating terrorism and forms of serious transnational crime. The Court established that the envisaged agreement interfered with the fundamental right to respect for private life as well as the fundamental right to the protection of personal data. CJEU, Grand Chamber, Opinion 1/15 of the Court, OJ C 138 (2017).
\end{itemize}
data transfers between the EU and other jurisdictions, such as China, where government access to privately held data sanctioned by the 2017 cybersecurity law appears in equal, if not starker, conflict with EU principles. Scrutiny in this sense might stem from a recent complaint against Huawei’s data transfers in a German court.

While much of the discussion in this paragraph has focused on the degree of legally sanctioned access that national or foreign security services might have to personal data, it is important to point out that malicious operations also take place outside, or at the limits of national and international norms. The 2016 Cambridge Analytica scandal, whereby lax security standards on part of Facebook led to the leak of detailed psychometric user profiles, constitutes an eminent example of the risks of subversion that derive from malicious access to personal data.74

In light of the above, it is getting clearer that the interplay between national security concerns and data protection goals across different jurisdictions is a major hurdle for transnational data governance frameworks. If it true that also within every jurisdictions policy makers need to strike a balance between state control and individual autonomy when it comes to privacy, the same issue is much trickier at the transnational level. As such, the inherent cross-border character of the digital economy exacerbates the problem. Is should not come as a surprise that the international dialogue is currently focusing on finding middle-ground solutions to enable free-flows of data between different jurisdictions.75 While international negotiations on the matter are far from being successful, this paragraph highlighted that the trade-off between national security and privacy is a key headache for policy makers dealing with data governance.

3.3 Competition and National Security

Given the rich information content intermediated, and their role as critical infrastructures, digital platforms have increasingly acquired relevance in the national security sphere, much like the financial sector and other forms of physical infrastructures.

Since antitrust action pursues the objective to preserve innovation and contestability within digital markets, sometimes it might clash with the overarching interest of national states to preserve their security apparatus as well as their means of international power projection. While conflicts of this sort can and do emerge in other sectors of the economy, the size and pervasiveness of the digital economy, coupled with the increasing weaponization of cyberspace make this trade-off particularly thorny.

Against this backdrop, it comes as no surprise that antitrust discussions involving the digital economy will increasingly have to weigh the national security consequences of limiting platforms’ business freedom against the risk of shielding them from antitrust scrutiny.

Over the last decade, digital platforms have been targeted by antitrust investigations for killer acquisitions, self-preferencing and other forms of abuse of dominance. For such violations, competition law contemplates fairly extreme remedies, including break-ups. Indeed, proposals of structural interventions have gained momentum in the US over the last five years among policy makers and scholars. The recent appointment of Lia Khan as Chairperson of the Federal Trade Commission and of Tim Wu as special assistant to the US president for technology and competition policy at the National Security Council – both vocal critics of Big Tech’s market power – is a clear sign that the Biden administration is open to radical options.

Antitrust ambitions, however, are set to clash with national security considerations. In the United States, both the intelligence and the military rely on private tech companies – for hardware, information and talent alike. From a security perspective, these firms’ market power and scale constitute irreplaceable strategic assets.

Two examples might put the issue in the right perspective. First, as pointed out in paragraph 2.2, the Foreign Intelligence Surveillance Act (FISA) compels American firms to hand over data on suspected foreign agents. US intelligence agencies rely extensively on this legal tool to gather information. FISA court orders constituted the basis the PRISM dragnet. Second, as the US Defense Department needed to build an enormous cloud project (under the name of Joint Enterprise Defence Infrastructure Cloud), aimed at supporting its operations, it was only able to identify two viable bidders: Microsoft and Amazon. Only these two massive companies could provide the resources needed to establish the needed hardened data centres with the right analytical skills. Although the contract – awarded to Microsoft – has recently been recalled, it is unlikely that firms outside the limited US Big Tech circle might have the capabilities and the US government’s trust to deliver on similar projects.

According to this line of argument, dominant firms should be shielded from antitrust enforcement. Market dominance can finance the innovation that guarantees the US military and intelligence cutting edge capabilities. Further, should antitrust action curtail platforms’ innovative prowess, foreign competitors such as Baidu or Alibaba, would stand to benefit, to the advantage of US strategic adversaries.

The Qualcomm antitrust case serves a material example of this antitrust conundrum. In 2019 the Department of Justice (DoJ) intervened in appeal, asking the Ninth Circuit to

stay the Federal Trade Commission’s injunction against Qualcomm for abusing its dominant position as a supplier of semiconductor devices to the detriment of cell phone manufacturers and direct competitors, claiming that it “would significantly impact U.S. national security”. According to the DoJ, such action would have hampered Qualcomm’s ability to invest in R&D, ultimately reducing America’s potential to lead the global race in 5G. In 2020, the Ninth Circuit overturned the District Court’s decision, implicitly recognizing also the national security argument against Chinese competitive pressure.

The influence of wider public interests other than consumer welfare on antitrust enforcement however is far from uncontroversial. It has been argued that national security may actually benefit from a more vigorous antitrust enforcement in the digital economy. First, as private sector agents, platforms work in foreign markets and are therefore subject to incentives and blackmail that could backfire against their own country national security policy. Second, their anticompetitive behaviour might ultimately crush innovation, thereby eroding rather than sustaining the US’ strategic advantage.

Setting aside the debate on whether an effective competition law enforcement can benefit or not national security strategies, it is undisputable that the digital economy is exacerbating such relationship. The need to deliver contestability and lively competition dynamics in data-enabled markets is increasingly exposing the overall national security framework to new vulnerabilities. As showed in this paragraph with multiple examples, the third interplay characterizing data governance is a major one for policy makers.

4 Conclusion

The rise of digitalization, and the opportunities and risks that it engenders has sparked an increasingly lively debate on the rules that should govern the digital sphere. However, over the last ten years, data governance has remained an esoteric concept, whose discussion is limited to selected policy circles. The reasons behind this phenomenon lie both in the complexity of the phenomenon and in its political load. For starters,

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77 US Department of Justice, Statement of Interest Concerning Qualcomm’s Motion for Partial Stay of Injunction Pending Appeal (Statement, 16 July 2019), 1.
78 FTC v. Qualcomm Inc., 969 F.3d 974 (9th Cir. 2020).
no individual regulation disciplines the subject in a comprehensive fashion, while several regulatory actions try to tackle adjacent (but interrelated) problems. At the same time, a limited number of extremely large and heterogeneous firms – digital platforms – has managed to hold critical roles within the digital space. Recent legislative initiatives are proving that the regulation of digital platforms goes well beyond economic technicalities, as it is a highly political endeavor, both domestically and internationally.

Against this framework, the article demonstrated that three major regulatory fields are critical in shaping a country’s data governance framework: data control, national security and competition policy. We discussed the role that each of these regulatory levers play, and the complex web of overlaps and trade-offs that exist when they apply to the digital sphere with the aim of supporting policy makers and regulators in understanding the key levers under the comprehensive hood of data governance.

The analysis in this paper leads to two main conclusions. First, regulation of the digital space suffers from an extreme degree of complexity. Multiple and diverse regulatory domains intersect the digital space, with overlapping and sometimes unpredictable consequences. As regulators strive to “put order” in their digital corner, it appears particularly important that this complexity is factored in.

Second, given the trans-national nature of digital activity, coordination and dialogue can hardly be confined to a set of national regulators. For instance, the frictions between personal data control and national security recently emerged between the US and the EU showed that international cooperation and dialogue are called to tackle an extremely tricky issue in order to deliver common principles underpinning trans-national data governance. Having said that, the potential gains generated from a consistent international legal framework reducing economic frictions are significant and justify the regulatory effort.

While a set of internationally agreed principles for the regulation of the digital sector would appear necessary, this seems a complex task for very broad-based the G20 and WTO negotiations. Convergence might instead be found within smaller groups of like-minded countries. At the end of October 2021, Trade Ministers of G7 countries issued a set of commonly agreed Digital Trade Principles, pledging to work towards a common framework for cross-border data transfers, and limiting the use of data-localization measures for protectionist purposes.81 These principles constitute a first step towards overcoming structural differences within the block of advanced economies.

Given the pervasive nature of digitalization, the approach presented in this article could be considered as a blueprint to expand the analysis to additional policy levers, such as digital taxation and content liability rules.

81 G7 Trade Ministers, ‘G7 Trade Ministers’ Digital Trade Principles’ (Statement, 22 October 2021).